

HOUSE BILL REPORT

2SHB 3070

As Passed Legislature

Title: An act relating to increasing nonprofit housing development capacity.

Brief Description: Increasing nonprofit housing development capacity.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Miloscia, Hasegawa, Chase and Santos).

Brief History:

Committee Activity:

Housing: 1/24/06, 2/2/06 [DPS];

Capital Budget: 2/6/06 [DP2S(w/o sub HOUS)].

Floor Activity:

Passed House: 2/13/06, 56-42.

Senate Amended.

Passed Senate: 2/28/06, 36-8.

House Refused to Concur.

Senate Receded.

Senate Amended.

Passed Senate: 3/7/06, 38-9.

House Concurred.

Passed House: 3/8/06, 82-16.

Passed Legislature.

Brief Summary of Second Substitute Bill

- Increases the Washington State Housing Finance Commission's debt limit from \$3 billion to \$4.5 billion.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Miloscia, Chair; Springer, Vice Chair; McCune, Ormsby, Pettigrew and Sells.

Minority Report: Do not pass. Signed by 3 members: Representatives Holmquist, Ranking Minority Member; Dunn, Assistant Ranking Minority Member and Schindler.

Staff: Robyn Dupuis (786-7166).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Housing. Signed by 16 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Blake, Chase, Eickmeyer, Ericks, Flannigan, Green, Hasegawa, Lantz, McCune, Moeller, Morrell, O'Brien, Springer and Upthegrove.

Minority Report: Do not pass. Signed by 10 members: Representatives Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Clements, Cox, Ericksen, Kretz, Kristiansen, Newhouse, Roach and Serben.

Staff: Nona Snell (786-7153).

Background:

The Housing Finance Commission (HFC) was created by the Legislature in 1983, however it is not a state agency. The HFC does not receive state funds, it does not lend state funds, and the state is not liable for any of the HFC's debt. The HFC acts as a financial conduit of federal funds and has the authority to issue bonds for the development of affordable housing and non-profit facilities. To date, the HFC has financed more than 112,000 affordable housing units and elderly beds across the state, and 103 nonprofit facilities.

HFC's Debt Limit

The HFC's original debt limit in 1983 was \$1 billion. It was raised to \$2 billion in 1985 and to \$3 billion in 1999. The debt limit is the total amount of debt HFC is authorized to have outstanding at any one time. As of January of this year, the HFC's outstanding debt reached \$2.7 billion. Once the HFC reaches the \$3 billion limit, it must stop issuing debt to finance additional affordable housing and nonprofit facilities.

Summary of Second Substitute Bill:

Increases the HFC debt limit from \$3 billion to \$4.5 billion.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (Housing) (With concerns on original bill)

Bond Cap Increase

The price of housing and housing production has escalated in the last few years due to the economy and natural disasters like Hurricane Katrina. The HFC has an outstanding debt of approximately \$2.7 billion and once it reaches its statutory debt limit of \$3 billion it will not be able to finance additional affordable housing and non-profit facilities. There is a great need

for affordable housing, particularly for the elderly population which is expected to grow 49 percent between 2005 and 2015. Anticipated elderly housing projects alone will cause the HFC to exceed its debt limit. The HFC has issued a total of \$6.8 billion of debt and has paid off \$4.8 billion. The HFC is committed to continuing to improve its Quality Management Program and is preparing an application to the Washington State Quality Award program.

Revolving Loan Fund

There is a recognized need for something to be done to address the high cost of condominium liability insurance. The HFC is willing to take the lead and develop and administer some type of fund program. It's not necessary to put the creation of this program in statute, nor is it necessary to codify what would only be one-time appropriations from the DCTED or transfers of funds from the HFC.

Low Income Housing Tax Credits

There is an administrative process whereby the HFC sets and periodically revises guidelines to prioritize what types of entities and projects are awarded tax credits. The HFC is committed to reviewing and considering strategies to promote non-profit capacity and also will look at the possible implications of limiting the participation of the for-profit sector. It's difficult, due to the complex nature of the tax credit program, to achieve what the sponsors of this bill seem to desire through statutory changes. Non-profit organizations receive the majority of the tax credits, however, particularly in rural areas, for-profit developers play an important role. Often there are not enough resources (due to limited state funding through the Housing Trust Fund and limited private foundation dollars) for non-profits to be able to completely fund a development in rural areas, whereas for profit corporations take advantage of private capital and financing. Sometimes the missions of the only non-profit organizations in a rural area do not allow them to develop the affordable housing for a population that a for-profit proposes. For example, some rural non-profits are limited to developing only farm worker housing. The current language in the bill would prohibit not only for-profit organizations from receiving tax credits, but also housing authorities and public development authorities.

Testimony For: (Capital Budget) As of January 1, 2006, the Washington State Housing Finance Commission (HFC) will have incurred \$6.8 billion in debt. Four billion dollars has been paid off, and the HFC is left with a balance of \$2.7 billion of outstanding debt.

The HFC originally requested an increase in the debt limit to \$5 billion, but it was lowered to \$4 billion in the Housing Committee. Four billion dollars is acceptable to the HFC.

The increase in housing prices and the increased demand for financing has sped up the speed at which the HFC is incurring debt.

An increase to \$4 billion would be good for two to four years, and an increase to \$5 billion would be good for four to nine years, depending on the market.

A multiunit liability insurance revolving fund will be helpful to nonprofit housing providers. The housing authorities have had a similar fund that has helped them with regard to insurance costs.

Testimony Against: (Housing) None.

Testimony Against: (Capital Budget) None.

Persons Testifying: (Housing) (With concerns on original bill) Kim Herman, Washington State Housing Finance Commission; Chris Pegg, Longview Housing Authority; Tom Tierney, Seattle Housing Authority; and Dan Watson, King County Housing Authority.

Persons Testifying: (Capital Budget) Kim Herman, Washington State Housing Finance Commission.

Persons Signed In To Testify But Not Testifying: (Housing) None.

Persons Signed In To Testify But Not Testifying: (Capital Budget) None.